

Rep. Ed Murray • 43rd District

The Budget: Background

While incredibly regressive, Washington relies primarily on sales and Business and Occupation (B & O) taxes for its sources of revenue. An additional source of revenue – more for the benefit of local governments than for the state – are property taxes. As was apparent last November with the passage of Initiative 747, however, Washingtonians are unwilling to pay increased property taxes.

Over the past several years, a series of initiatives have limited our options and contributed to the economic crisis we are facing.

- **R-49 MVET (1998)** – Washington voters approved Referendum 49, allocating three-quarters of Motor Vehicle Excise Tax (MVET) revenue to the Transportation Budget. MVET revenues were never designed to pay for only transportation. Rather, the MVET was created in 1937 to help relieve the property tax and originally dedicated funds to the common schools.

Impact on the budget through 2007: \$1.97 billion

- **I-695 MVET (1999)** – Washington voters passed Initiative-695 essentially repealing the MVET and replacing it with a flat, \$30 car tab fee. Although I-695 was found to be unconstitutional by the State Supreme Court, the Legislature, unfortunately, codified that part of the initiative that created the \$30 car tab fees. I was one of a few legislators who voted against the codification.

Impact on the budget through 2007: \$6.55 billion

- **I-728, I-732 Education (2000)** – The two initiatives with the largest impact to the state's General Fund that passed were Initiative-728 and Initiative-732. While I-728 and I-732 provide much needed monies – totalling nearly \$1 billion – to go toward areas such as increasing per pupil spending, increasing the cost of living adjustments for teachers, expanding teacher training, and building more school facilities, neither of these initiatives provided a source of revenue to cover the added costs of fully funding them.

Impact on the budget through 2007: \$3.25 billion

- **I-747 Property Taxes (2001)** – Voters passed Initiative-747 reducing the annual property tax limit growth potential to about 1 percent. Although most of the impact will be at the local level, some of it will be felt at the state level.

Impact on the budget (mostly at the local level) through 2007: \$318 million

In addition to these revenue-depleting initiatives the legislature has also offered significant tax breaks to businesses – amounting to over \$2.4 billion since 1994.

Other problems include rising health care costs, and increased caseloads – higher than expected numbers of children in schools, people in prison and seniors – making a difficult situation even worse.

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2003 Budget & Transportation Report



Representative
Ed Murray
43rd District

2003 Budget & Transportation Report

Dear Neighbors,

As we continue to deal with two very complex problems here in Olympia – transportation and the budget – I wanted you to have some important background information.

I am working with my colleagues to find solutions so we can address our growing transportation needs, and so we can avoid making draconian budget cuts.

For more detailed information on the budget, visit Governor Locke's website:

<http://www.governor.wa.gov/budget/budget.htm>

For more detailed transportation information, go to the Washington State Department of Transportation Publications page:

<http://www.wsdot.wa.gov/keyfacts/default.htm>

Adam Bartz, my Legislative Assistant, and I look forward to helping you in any way we can. If you would like additional information on the budget, or on legislation that is being considered in Olympia, let us know and we'll do what we can to help.

I look forward to hearing from you.

Sincerely,

Ed Murray

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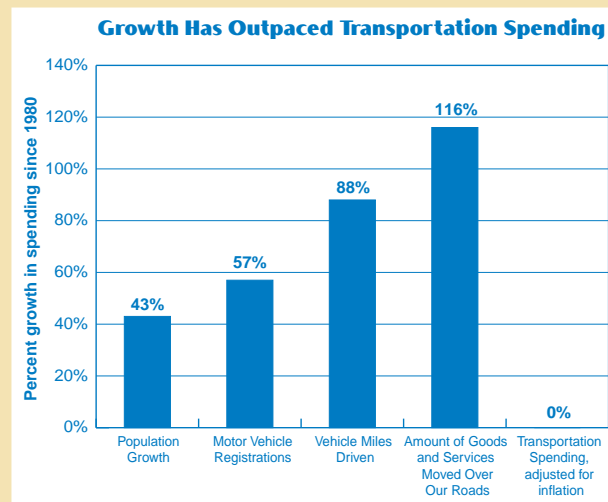
2003 Budget & Transportation Report



Transportation: The Problem

For the past 20 years we have not invested enough in our transportation system. That is why Washington State is in a serious transportation crisis.

Since 1980, the state's population has grown by 43%, motor vehicle registrations have grown by 57%, vehicle miles driven have grown by 88%, and the amount of goods and freight moved over our roads has grown by 116%.



At the same time, transportation spending, adjusted for inflation, has remained the same.

Over a two-year period, the current gas tax – 23 cents a gallon – will yield about \$1.5 billion. (Each penny generates \$32 million a year.) With an additional \$2.2 billion in federal funds and bonding (borrowing), the state receives a total of \$3.8 billion in revenue.

Over the next 20 years, we will need \$150 billion to meet our statewide transportation demands. \$50 billion should be funded through existing state, federal and local sources. We can address another \$50 billion through savings, efficiencies, reduced demand and deprioritizing some projects. That leaves \$50 billion in unfunded projects that would improve safety, preserve infrastructure, address congestion and make necessary improvements.

Even though total dollars collected are growing, the spending power of that money is shrinking. This is because inflation is eroding the value of the gas tax dollar.

Transportation: Potential Solutions?

Increased Accountability

One of the first things we did this year was pass legislation to address the lack of accountability in our transportation system. It is a new way of doing business that avoids creating new bureaucracies or playing the Olympia blame game.

These bills are aimed at making our state's transportation system more accountable by:

- ✓ **HB 1120 (Citizen Oversight):** Creating a citizen oversight panel of transportation, finance, environmental and construction experts to measure the performance of the state's transportation system;
- ✓ **HB 1121 (Performance Audits):** Instituting regular performance audits of the Department of Transportation by a Transportation Review and Accountability Committee; and
- ✓ **HB 1122 (Streamlining Decision-Making):** Streamlining decision-making by abolishing the Transportation Commission and empowering the governor to hire and fire the transportation secretary.

We are also planning on a permit-streamlining bill – balancing efficiency while protecting the environment – and other efficiency measures, including a design-build bill, that will allow the same contractor to design and build the same project, and a right-of-way bill that lets local governments buy rights-of-way earlier in the construction process.

A Balanced Approach to Safety & Increased Capacity

We need to find ways to invest in our transportation system – addressing safety concerns, increasing transportation choices, and addressing environmental needs.

I believe a modest first step is a \$2.6 billion proposal that would be paid for with a modest gas tax (a few pennies per gallon), a vehicle transfer fee and a gross weight surcharge for trucks.

\$2 billion would go toward highway safety, preservation and improvement projects (including auto ferries), \$360 million would support mobility funding including public transportation, and \$257 million would be spent on passenger and freight rail projects.

- ✓ **Safety:** We need to invest in projects that focus on our state's most dangerous roads.
- ✓ **Preservation:** The Alaskan Way Viaduct, 520 Bridge, I-5, and I-405.
- ✓ **Ferries:** We need to preserve the passenger-only ferry system, and finance new auto-ferries to replace those built in 1927.
- ✓ **Environment:** We need to invest in storm water drainage and fish passage barriers.

We cannot ignore these problems any longer. We need to find a way to invest in our transportation system today before it becomes even more expensive in the future.

Increased Mobility

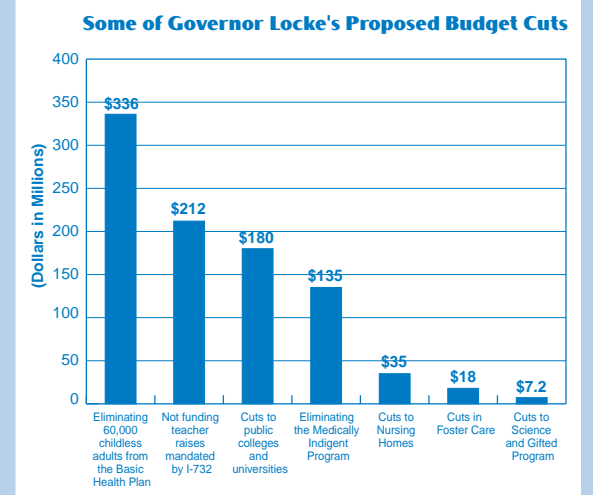
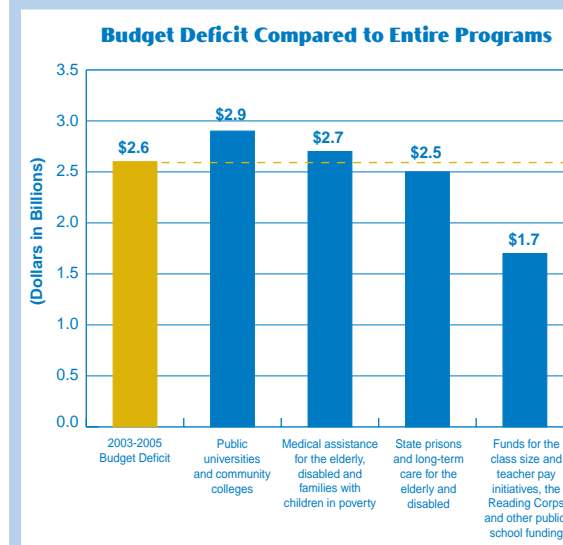
We need to make significant investments in public transportation for both urban and rural areas, commute-trip reduction programs, paratransit, vanpools, park and ride lots, passenger ferries, and commuter rail.

Transit, carpools and vanpools carry 53 percent of Seattle-area commuters into downtown every day. We have almost 8,000 parking spaces in 30 park and ride lots in King County. These lots have the highest occupancy rate in the entire state – 87 percent.

The Budget: Proposed Cuts

In order to contend with a \$2.6 billion deficit, Governor Locke has proposed making significant cuts to education, health care, and pay increases and benefits for state employees.

Most state spending goes to education, medication or incarceration. Public schools, colleges and universities take up about 55 percent of the budget. Health care and services to children and seniors take up about 22 percent, and prisons 5 percent. Funding for all other agencies and services make up the remaining 18 percent of the budget.



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It's difficult to grasp what a \$2.6 billion budget cut really means.

One way to understand the actual size of the deficit we are facing, and its impact on the budget, is to compare it to entire state programs.

Some of the actual cuts being proposed by Governor Locke are just as severe. These cuts will have a direct impact on those most vulnerable – young, old, sick and the poor.

These cuts will be enormous.

The Budget: Potential Solutions?

As we look to balance the budget, I will work with my colleagues to see that my goal of ensuring that human service programs designed to help our state's most vulnerable are preserved to the greatest extent possible.

Faced with these draconian cuts, we should consider the need to consider restructuring our tax system.

Last December, the Washington State Tax Structure Study Commission, chaired by Bill Gates, Sr., released a report calling our tax system “flawed” and suggested several alternatives.

Their suggestions for restructuring the tax system – all revenue neutral – included replacing the B&O tax with a Value Added Tax, and a variety of flat and progressive income tax rates.

For more details on the Tax Structure Study Commission's report, go to their website:

http://dor.wa.gov/content/wataxstudy/final_report.htm

I believe that we need to fundamentally change our tax system in order to avoid massive cuts in health care, education and social services. Without considering new revenue options, we will be turning our backs on the people that former Vice President Hubert Humphrey referred to as being in the “dawn of life, the children... the twilight of life, the elderly, and... in the shadows of life, the sick, the needy and the handicapped.”

